

Message Text

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ACTION EUR-12

INFO OCT-01 ARA-06 ISO-00 AGRE-00 CIAE-00 DODE-00 PM-04
H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02
SS-15 USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 STR-04 CEA-01
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R 161610Z MAR 77
FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC 5163
INFO AMEMBASSY BUENOS AIRES
AMEMBASSY BERLIN
AMEMBASSY WARSAW

C O N F I D E N T I A L SECTION 1 OF 2 MOSCOW 3500

PASS USDA/FAS/NOVOTNY

EO 11652: GDS
TAGS: EAGR EPAP ETRD US UR
SUBJECT: US-USSR GRAIN MATTERS

1. SUMMARY: AGATTS TRICK AND BEEGHLI HAD LENGTHY SESSION
ON MARCH 11 WITH BANNIKOV OF EXPORTKHLB, GRAIN DIVISION.
PERSHIN WAS TO HAVE BEEN PRESENT, BUT LAST MINUTE MEETING PRE-
VENTED HIS ATTENDING. SUBJECT COVERAGE IN MEETING WAS BROAD.
WE ATTEMPTED TO TOUCH ON ALL IMPORTANT GRAIN MATTERS, E.G.,
1976 CROP, CONDITION OF WINTER GRAINS, GOSU FOREIGN TRADE, ETC.
US-USSR GRAIN AGREEMENT TOPICS WERE RAISED BY BANNIKOV. NO NEW
POLICY OR GRAIN SITUATION INFORMATION OF MAJOR SIGNIFICANCE WAS
OBTAINED. SUMMARY OF MAJOR POINTS DISCUSSED AND OUR COMMENTS
AND RECOMMENDATIONS FOLLOW: END SUMMARY

1. CONDITION OF 1977 CROP WINTER GRAINS AND SOIL MOISTURES:
BANNIKOV INDICATED THAT WINTERKIL TO DATE HAS PROBABLY
BEEN LITTLE LESS THAN AVERAGE AND THAT SOIL MOISTURE IN
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GRAIN AREAS CONTINUES GENERALLY GOOD. YEVGENIY BANNIKOV,
INCIDENTALLY, IS BEING USED MORE AND MORE BY VICTOR PERSHIN
AS HIS DEPUTY ON GRAIN AND OTHER MATTERS. N AND MIKHAIL AGEEV
IS BY-PASSED. THIS WAS ALSO REPORTED RECENTLY BY GRAIN TRADER.

2. 1976/77 (OCTOBER-SEPTEMBER) SOVIET GRAIN EXPORTS:
BANNIKOV RESPONDED IN NEGATIVE WHEN ASKED IF BUYING COUNTRIES

HAD PUBLICLY ANNOUNCED FURTHER PURCHASES BEYOND (A) EAST GERMAN -- 1 MILLION MT; (B) POLAND -- 1 MILLION MT; AND (C) CZECHOSLOVAKIA -- 250,000 TO 300,000 MT. TO OUR KNOWLEDGE, SUCH CEMA COMMITMENTS HAVE NORMALLY, IN PAST, BEEN NEGOTIATED IN NOVEMBER-DECEMBER, THOUGH SOMETIMES NOT ANNOUNCED UNTIL LATER. THIS IS PRBABLY RELATED LARGELY TO ANNUAL PLANNING AND BUDGETARY CALENDARS. THIS MEANS THAT IT IS UNLIKELY THAT ALL SUCH BILATERAL TRADE HAS BEEN CONCLUDED FOR THE CALENDAR YEAR.

3. 1976/77 (OCTOBER-SEPTEMBER) SOVIET GRAIN IMPORTS: TRICK STATED THAT HE ANTICIPATED THAT GOSU WOULD MAKE A DETERMINATION LATE THIS SPRING (APRIL/MAY) THAT FURTHER LOW-LEVEL PROCUREMENTS OF CORN WOULD BE REQUIRED BY GOSU FOR DELIVERY BY SEPTEMBER 30. BANNIKOV REPLIED NONCOMMITTALLY, AS WAS TO HAVE BEEN EXPECTED, SIMPLY WITH THE STOCK ANSWER TO SUCH QUESTIONS "NO DECISION HAS YET BEEN MADE ON ANY ADDITIONAL CORN OR OTHER GRAIN PURCHASES FOR SUCH PERIOD." THIS STATEMENT WAS NOT, HOWEVER MADE IN FORCEFUL MANNER. HE ALSO NOTED THAT NO SOYBEAN PURCHASES WERE CONTEMPLATED FOR 1976/77, 1977-78 OR IN 10TH PLAN PERIOD. SUCH STATEMENTS SHOULD NOT BE VIEWED SERIOUSLY. THEY ARE TYPICALLY MADE BY EXPORTKHLB TO PEVENT OR MINIMIZE MARKET REACTIONS TO POSSIBLE OR ACTUAL USSR GRAIN TRADE OPERATIONS.

4. DISAPPEARANCE OF 1976 GRAIN CROP: WHEN ASKED IF MORE RAPID DISAPPEARANCE OF POOR-CONDITION GRAIN CROPS WAS THE RULE IN SU AS IT IS IN US, HE RATHER SURPRISINLY AGREED, SAYING SITUATION WAS QUITE ANALOGOUS. HE EVEN WENT SO FAR AS TO CITE ANTICIPATED 1976 CROP LOSSES HERE DUE INADEQUATE CONFIDENTIAL

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DRYING CAPACITIES. HE ALSO MENTIONED NEED TO TRANSPORT LARGER QUANTITIES OF GRAIN IN SUCH YEARS THAN IS NORMALLY THE CASE, WITH IMPLICATION THAT LOSSES OCCURRED IN PROCESS. (WE WERE DISCUSSING 1976 CROP PRODUCED IN EUROPEAN USSR; NEW LAND'S CROP WAS EXCELLENT.) QUESTION WAS ASKED, BECAUSE IT CONTINUES SURPRISING THAT KNOWN EXPORT COMMITMENTS HAVE BEEN HELD SO LOW THIS YEAR IN SPITE OF SUBSTANTIAL EARLY PRESSURE FROM GDR AND POLAND FOR LARGER QUANTITIES.

5. US-USSR GRAIN AGREEMENT: ALL REFERENCES MADE BY BANNIKOV TO US-USSR LONG-TERM GRAIN AGREEMENT (LTGA) INDICATED SOVIETS WILL BE FOLLOWING THROUGH ON THESE MATTERS IN ACCORD WITH US-USSR IMPLEMENTATION POLICIES AND PRACTICES WHICH HAVE EVOLVED TO DATE. WHILE EXPRSSING NO USG OR PERSONAL DISSATISFACTION WITH LTGA PROVISION OR EXPERIENCE TO DATE, TRICK INDICATED THAT IN HIS OPINION GOSU SHOULD BE AS FORTHCOMING AS POSSIBLE IN THE NEXT GRAIN CONSULTATION UNDER THE AGREEMENT AS TO 1977 GRAIN PRODUCTION OUTLOOK. HE ALSO RECOMMENDED, AGAIN AS HIS PERSONAL VIEW, THAT EXPORT-

TO USG ON US GRAIN AND SOYBEAN PURCHASES AND SCHEDULES OF SHIPMENT. THIS INFORMATION WOULD BE PROVIDED PRIOR TO THE NEXT CONSULTATION. IT WAS POINTED OUT THAT SUCH REPORT MIGHT ALSO ELABORATE TOTAL 1976/77 GOSU FOREIGN TRADE IN GRAINS TO DATE FROM AND TO ALL ORIGINS. BANNIKOV INDICATED THAT HE WOULD REPORT BACK TO TRICK ON HIS SUGGESTIONS, AND MENTIONED THAT SOVIETS WERE THINKING OF MAY AS PROBABLE MONTH FOR NEXT CONSULTATION, AS HAD BEEN DISCUSSED IN DECEMBER.

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6. SECRETARY BERGLAND'S VIEWS: BANNIKOV EXPRESSED SUBSTANTIAL INTEREST IN LEARNING OF ANY GRAIN POLICY STATEMENTS MADE BY SECRETARY BERGLAND TO DATE. GOSU OFFICIALS ARE FULLY COGNIZANT OF ROLE OF US AGRICULTURAL POLICY AND PROGRAMS ON WORLD MARKETS AND MARKETING. HE WAS ESPECIALLY CURIOUS AS TO THE MEANING OF PRESS REPORTS SEC. BERGLAND'S MEETING WITH LANG (CANADIAN WHEAT BOARD) AND OF ANTICIPATED CHANGES IN GRAIN LOAN RATES AND TARGET PRICES. CABLED GUIDANCE WAS FOLLOWED ON FORMER. WE RESPONDED AS OPENLY AS POSSIBLE TO HIS OBVIOUS INTEREST IN LEARNING OF ANY POSSIBLE NEW DIRECTIONS IN US GRAIN PROGRAMS BY SAYING THAT IN VIEW OF THEIR VERY SHORT TIME IN OFFICE, SEC. BERGLAND AND OTHER NEW ADMINISTRATION OFFICIALS HAD NOT YET ANNOUNCED ANY BASIC FARM PROGRAM DECISIONS. WE DID, HOWEVER, DRAW ON THE SEC.'S COMMENTS AT HIS JANUARY 13

PRESS CONFERENCE AND FARM PRESS ARTICLES TO INDICATE HIS DEPTH OF KNOWLEDGE AND EXPERIENCE IN US AGRICULTURAL POLICY MATTERS AND HIS ASSURANCES THAT US AGRICULTURE MUST MAINTAIN ITS EXPORT ORIENTATION.

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UM ARGENTINA: HE CONFIRMED JUNTA VISIT THIS MONTH, BUT WAS NOT FORTHCOMING, AS EXPECTED, ON THEIR PURPOSE. HE SATED THAT, ALTHOUGH GOSU HAS NEVER HAD A LONG-TERM GRAIN AGREEMENT WITH ARGENTINA, REGULAR PURCHASES HAD HISTORICALLY BEEN MADE FROM THAT COUNTRY, INCUDING THIS YEAR. HE NOTED THAT WHEAT PURCHASES THIS YEAR WERE SMALL, LESS THAN 200,000 MT, PROBABLY CLOSER TO 100,000 MT, AND SAID THAT THIS YEAR'S USSR PROCUREMENTS OF SUCH GRAIN WERE CASES OF WORLD SHIPPERS EXERCISING THEIR SELLERS ' OPTIONS AS TO COUNTRY ORIGIN FOR GRAIN.

8. COMMENT: BASIS ABOVE AND OTHER DISCUSSIONS AND INFORMATION, OUR GUESSTIMATE OF 1976/77 (OCTOBER-SEPTEMBER) USSR GRAIN TRADE REMAIN UNCHANGED, AS FOLLOWS:

SOVIET IMPORTS:

TOTAL 10 TO 12 MMT, BUT PROBABLY ON LOW SIDE OF RANGE;

U.S. 6.4 TO 7.0 MMT, OF WHICH 3.0 WILL BE WHEAT AND BALANCE CORN:

SOVIET EXPORTS:

TOTAL 2.5 TO 3.5 MMT, BUT PROBABLY ON LOW SIDE OF RANGE;

TO DATE, WE ONLY KNOW OF FOLLOWING ESTIMATES: 1.4 MMT WHEAT (EAST GERMANY, POLAND AND CZECHOSLOVAKIA, WITH 1.0, .1 AND .3 MMT RESPECTIVELY) AND 900,000 MT

OF BARLEY ALL TO POLAND. WE EXPECT THAT ALL

OR NEARLY ALL OF ANY GOSU EXPORTS TO CUBA, N.VIETNAM, N. KOREAN AND OTHER BILATERAL COMMITMENTS WILL BE SUPPLIED BY DIVERSIONS FROM GRAINS PURCHASED FROM SUPPLYING NATIONS OTHER THAN U.S.

9. BANNIKOV' S STATEMENTS TO TRICK AND BEEGHLY THAT GOSU AT PRESENT HAS NO FUTURE GRAIN OR SOYBEAN PROCUREMENT PLANS, WE REPEAT, SHOULD NOT BE CONSIDERED AT THIS JUNCTURE TO BE DEFINITIVE OF THEIR ACTUAL INTENTIONS. THERE ARE SEVERAL REASONS WHY THIS POSITON WAS MAINTAINED IN ADDITON TO THE QUESTION OF MARKET IMPACT, WHICH WAS MENTIONED EARLIR. AMONG OTHER THINGS, THIS MAY, REPEAT MAY, BE TIP OFF TO HARDER LINE NEGOTIATING POSITION DURING CONSULTATIONS WHICH THEY ANTICIPATE BEING ABLE TO TAKE BECAUSE OF IMPROVED

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SUPPLY SITUATION. 23 #3-4\$, INCIDENTALLY, FROM GRAIN TRADER LAST WEEK THAT EXPORTKHLEB IS NOW SAYING THAT THE 1976

GRAIN CROP REACHED 226 MMT, ABOUT 2 MMT ABOVE THE CURRENT OFFICIAL PRELIMINARY ESTIMATE. FYI, 548: CONTINUES TO ANTICIPATE ANNUAL IMPORTS IN FUTURE OF SOYBEANS DUE IM- POSSIBILITY OF STABILIZING SUNFLOWER OUTPUT AND CRITICAL NEED FOR FEED PROTEIN. PROBABILITY OF LOW-LEVEL FILL-IN PURCHASES OF US CORN FOR DELIVERY BY SEPTEMBER 30 IS ALSO GOOD, EVEN IF OUTLOOK FOR SOVIET AND WORLD CROP REMAINS FAVORABLE. WITH ANY SHARP DROP IN USSR CROP PROSPECTS, USSR IS EXPECTED TO WANT TO INCREASE ITS PROCUREMENTS FOR REMAINDER OF FY 1977 AND COMMENCE PURCHASES FOR 1977-78 MARKETING YEAR. LATTER IS EVEN VIEWED AS HIGHLY PROBABLE IF GRAIN PRODUCTION EXPECTATIONS IN SU AND WORLD WERE SIMULTANEOUSLY TO COMMENCE DROPPING. IN EVENT LARGE PURCHASES OF US GRAIN WERE CONSIDERED NECESSARY BY SOVIETS, WE FEEL CERTAIN THAT GOSU WOULD INITIATE CONSULTATION WITH USG.

10. ABOVE IS ONLY MENTIONED AS AN EVENTUALITY. OUR READING OF CURRENT OUTLOOK FOR 1977 USSR GRAIN CROP IS THAT OUT- PUT SHOULD BE ABOVE AVERAGE, I.E. NOT LESS THAN 190 MMT UNLESS POOR WEATHER STRIKES AND ON HIGH SIDE, WE STILL SEE POTENTIAL FOR ANOTHER RECORD CROP.

11. IN VIEW OF IMPORTANCE OF US-USSR GRAIN TRADE MATTERS, IT IS RECOMMENDED THAT AGATT BE ADVISED IN NOT TOO DISTANT FUTURE TO COMMUNICATE SOME INFORMATION ON OUR LTGA TO EITHER PERSHIN OR SAKUN (MIN. FOREIGN TRADE). AT THIS STAGE, SUBSTANCE IS NOT IMPORTANT. FOR EXAMPLE, WASHING- TON MAY BE ABLE SHORTLY TO TRANSMIT USG PROPOSALS AS TO TIMING OR LOCUS OF NEXT GRAIN CONSULTATION. ANOTHER POSSIBILITY WOULD BE SIMPLE REQUEST FOR UPDATE ON SOVIET PURCHASE QUANTITIES AND SHIPMENTS UNDER THE AGREEMENT. WHAT IS NECESSARY NOW, OR IN NEAR FUTURE, IS ACKNOWLEDGE- MENT FROM US SIDE OF AN OPERATIVE CONTINUING LTGA. TOON

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Message Attributes

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